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FISCAL IMPACT STATEMENT

LS 6989 | **NOTE PREPARED:** Jan 30, 2006
BILL NUMBER: SB 340 | **BILL AMENDED:** Jan 26, 2006

SUBJECT: Salary and PERF Protection for State Employees.

FIRST AUTHOR: Sen. Wyss | **BILL STATUS:** 2nd Reading - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) This bill has the following provisions:

Demotion: The bill provides that the state's salary and wage schedules must provide that an appointing authority is not required to reduce the salary of an employee who is demoted, unless the appointing authority determines that the salary reduction is warranted for disciplinary reasons or other good cause.

PERF Withdrawal: The bill establishes a process to withdraw state employees from the Public Employees' Retirement Fund and allow certain state employees to retire when the employees' particular departmental, occupational, or other classifications are terminated from state employment as a result of: (1) a lease or other transfer of state property to a nongovernmental entity; or (2) a contractual arrangement with a nongovernmental entity to perform certain state functions.

Funding Sources: This bill establishes the funding sources for the amounts that the state is required to contribute to PERF for the purchase of up to 24 months of creditable service needed by a terminated employee who elects normal or early retirement.

Effective Date: December 31, 2005 (retroactive).

Explanation of State Expenditures: (Revised) *PERF Withdrawal:* The ultimate impact of this bill will depend on administrative actions in terms of leasing or transferring state property to a nongovernmental entity or contracting with a nongovernmental entity to perform state functions and the number and specific situations of the employees involved. The bill permits any current state PERF member who is within 24 months of early or normal retirement and whose employment is terminated because of a lease or other transfer of state property to a nongovernmental entity, or a contractual arrangement with a nongovernmental entity, to have the remaining service purchased by the state to permit the member to qualify for immediate retirement. This provision would apply to all eligible members. The estimated fiscal impact for 100 such members is approximately $721,000 with a 30-year amortization of $55,500.

[*NOTE:* The potential expenditures listed above for the 100 employees are proportional, that is, if each category has twice as many as illustrated, the fiscal impact would double as well.]

The funds affected are the state General Fund (55%), or $30,525, and various dedicated funds (45%), or $24,975, per 100 employees affected. The percentage split represents the amount each fund contributes to the state budget.

Besides the actuarial cost, there may also be additional administrative costs. These administrative costs would arise from the computation of benefits and the confirmation of credited service that may not have needed to be done under normal circumstances. Potential administrative costs are indeterminable at this time.

Funding Sources: The bill identifies the following funding sources for payments: (1) if the state receives monetary payments under a lease or contractual arrangement, the proceeds of the monetary payments received by the state; (2) if the state does not receive any monetary payments under a lease or contractual arrangement, any remaining appropriations made to the state department, agency, or other entity terminating the employees; and (3) if the sources described in parts 1 and 2 do not fully fund the amounts that the state is required to contribute to the fund, the PERF Board is to request that the General Assembly appropriate the amount necessary to fully fund the state's required contribution in the next state biennial budget.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Personnel; Public Employees' Retirement Fund.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317 576-1508.

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